

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Liberty Township	County Jackson
Fiscal Year End June 30, 2007	Opinion Date OCTOBER 17, 2007	Date Audit Report Submitted to State JANUARY 29, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures..
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Karl L. Drake, CPA		Telephone Number 517-937-9333	
Street Address 3775 Kimmel Road		City Horton	State MI
		Zip 49246	
Authorizing CPA Signature 		Printed Name Karl L. Drake	License Number 1101016526

LIBERTY TOWNSHIP

JACKSON COUNTY, MICHIGAN

FINANCIAL STATEMENTS

JUNE 30, 2007

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	13
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds....	14
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Fiduciary Fund	
Statement of Fiduciary Net Assets.....	16
Notes to Financial Statements.....	17-29
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE	
General Fund.....	31
OTHER SUPPLEMENTAL INFORMATION	
GENERAL FUND	
Balance Sheet.....	33
Statement of Revenue and Expenditures - Budget and Actual.....	34-38
SPECIAL REVENUE FUNDS	
Combining Balance Sheet.....	40
Combining Statement of Revenue, Expenditures and Changes in Fund Balances.....	41
Building Department Fund	
Balance Sheet.....	42
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	43-44

SPECIAL REVENUE FUNDS (CONTINUED)

Fire Equipment Fund

Balance Sheet.....	45
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	46

Central Complex Fund

Balance Sheet.....	47
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	48

Improvement Revolving Fund

Balance Sheet.....	49
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	50

Sewer Fund

Balance Sheet.....	51
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual.....	52

DEBT SERVICE FUND

Sewer Fund

Balance Sheet.....	54
Statement of Revenue, Expenditures and Changes in Fund Balances.....	55

FIDUCIARY FUNDS

Pension Trust Fund

Statement of Net Assets.....	57
Statement of Changes in Net Assets.....	57

Agency Funds

Balance Sheet.....	58
--------------------	----

Employee Withholding Fund

Statement of changes in assets and liabilities.....	58
---	----

Current Tax Fund

Statement of changes in assets and liabilities.....	59
Statement of receipts and disbursements.....	59

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	60-61
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INDEPENDENT AUDITOR'S REPORT

Township Board
Liberty Township
Clarklake, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Liberty Township, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Liberty Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Liberty Township as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2007, on our consideration of Liberty Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

The administration's discussion and analysis and budgetary comparison information on pages 3-9 and page 31 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Liberty Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

October 17, 2007

This section of the Liberty Township's annual financial report presents discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2007. It is best read in conjunction with the Township's financial statements that follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Liberty Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for the General Fund
(Required Supplemental Information)

Other Supplemental Information

REPORTING THE TOWNSHIP AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets (the difference between assets and liabilities, as reported in the statement of net assets) as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets (as reported in the statement of activities) are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to its residents, not to generate profits as commercial entities do. Many other non-financial factors must be considered to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental Funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on money inflow and outflow, and the balances remaining at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in the reconciliation on page 15 of this report.

REPORTING THE TOWNSHIP'S FIDUCIARY RESPONSIBILITIES**THE TOWNSHIP AS TRUSTEE**

The Township is the trustee, or fiduciary, for its pension trust, tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

Recall that the statement of net assets provides the perspective of the Township as a whole. Table I provides a summary of the Township's net assets as of June 30, 2007 and 2006:

TABLE 1	Governmental Activities	
	(In Thousands)	
	2007	2006
ASSETS		
Current And Other Assets	\$ 944.6	\$ 1,032.5
Capital Assets - Net Of Accumulated Depreciation	989.3	956.2
TOTAL ASSETS	1,933.9	1,988.7
LIABILITIES		
Current Liabilities	136.8	182.1
Long-Term Liabilities	735.8	832.5
Other Liabilities	537.1	553.8
TOTAL LIABILITIES	1,409.7	1,568.4
NET ASSETS		
Invested In Property And Equipment - Net Of Related Debt	149.7	3.4
Restricted	0.0	0.0
Unrestricted	374.5	416.9
TOTAL NET ASSETS	\$ 524.2	\$ 420.3

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. The Township's net assets were \$524.2 thousand at June 30, 2007. Capital assets, net of related debt totaling \$149.7 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$374.5 thousand) was unrestricted.

The \$374.5 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

TABLE 2	Governmental Activities	
	(In Thousands)	
	2007	2006
REVENUE		
Program Revenue		
Charges For Services	\$ 59.4	\$ 62.2
Grants And Categoricals	0.0	0.0
General Revenue		
Property Taxes	113.2	105.9
Special Assessments	80.7	78.2
State Revenue	199.9	208.0
Other	103.4	63.2
TOTAL REVENUE	\$ 556.6	\$ 517.5
FUNCTION/PROGRAM EXPENSES		
General Government	\$ 253.0	\$ 203.3
Public Safety	36.5	109.0
Public Roads	9.5	6.2
Community Enrichment	0.0	0.0
Interest on Long-Term Debt	1.7	45.9
Depreciation (unallocated)	85.7	87.0
Transfer to Hanover Township	66.3	58.1
TOTAL FUNCTION/PROGRAM EXPENSES	452.7	509.5
INCREASE IN NET ASSETS	\$ 103.9	\$ 8.0

As reported in the statement of activities, the cost of all of our governmental activities this year was \$452.7 thousand. Certain activities were partially funded from those who benefited from the programs (\$59.4 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). The remaining "public benefit" portion of the governmental activities were paid with \$113.2 thousand in taxes, \$199.9 thousand in State Revenue, and with other revenues, such as interest and general entitlements.

The Township experienced an increase in net assets of \$103.9 thousand. The key reason for the increase in net assets was controlling expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue constitute the vast majority of the Township's operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses funds to help control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is accountable for the resources taxpayers and others provide and may give more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$374.5 thousand, which is a decrease of \$50.0 thousand from last year. The primary reason for the decrease is capital outlay expenditures. The General Fund, the principal operating fund, saw the fund balance decrease \$22,562 to \$168,574, which is greater than the budgeted decrease amount of \$20,381.

MAJOR FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSET

At June 30, 2007, the Township had \$989.3 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$33.1 thousand or 3 percent, from last year.

	2007	2006
Land	\$ 52,863	\$ 52,863
Land Improvements	61,172	48,722
Buildings and Improvements	218,039	218,039
Fire Equipment	133,638	149,467
Fire Vehicles	506,050	478,743
Office Equipment	34,847	40,208
Intangible Assets	614,750	546,050
Total Capital Assets	1,621,359	1,534,092
Less Accumulated Depreciation	632,026	577,895
Net Capital Assets	\$ 989,333	\$ 956,197

More detailed information about long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The elected officials and administration considered many factors when setting the Township's 2007-2008 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenues. The Township's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of Liberty Township with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Supervisor, 101 W. Liberty Road, Clarklake, Michigan 49234.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS**JUNE 30, 2007**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 290,831
Accounts Receivable	85,799
Prepaid Expenditures	<u>30,905</u>
Total Current Assets	<u>407,535</u>
Non-Current Assets	
Capital Assets	1,621,359
Less: Accumulated Depreciation	<u>-632,026</u>
Total Non-Current Assets	<u>989,333</u>
Other Assets	
Special Assessment Receivable	<u>537,082</u>
TOTAL ASSETS	<u><u>\$ 1,933,950</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Current Portion of Long-Term Debt	\$ 96,669
Accounts Payable	32,990
Accrued Salaries and Expenses	---
Accrued Interest	<u>7,127</u>
Total Current Liabilities	<u>136,786</u>
Non-Current Liabilities	
Long-Term Debt	735,851
Compensated Absences and Severance Pay	<u>---</u>
Total Non-Current Liabilities	<u>735,851</u>
Other Liabilities	
Deferred Revenues	<u>537,082</u>
TOTAL LIABILITIES	<u>1,409,719</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	149,686
Restricted for Debt Service	---
Unrestricted	<u>374,545</u>
TOTAL NET ASSETS	<u>524,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,933,950</u></u>

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

		Program Revenues		Governmental Activities
				Net <Expense>
	Expenses	Charges For Services	Operating Grants	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 252,940	\$ 16,622	\$ ---	\$ -236,318
Public Safety	36,410	42,759	---	6,349
Public Works	9,513	---	---	-9,513
Community Enrichment	---	---	---	---
Interest on Long-Term Debt	1,719	---	---	-1,719
Depreciation (Unallocated)	85,701	---	---	-85,701
Total Governmental Activities	\$ 386,283	\$ 59,381	\$ ---	\$ -326,902
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 113,200
Property Taxes, Levied for Debt Service				---
Special Assessments				80,709
State of Michigan Aid				199,902
Interest Earnings				36,215
Other				67,162
Total General Revenue				497,188
Debt Service Transferred to Hanover Township				-66,339
CHANGE IN NET ASSETS				103,947
NET ASSETS - BEGINNING OF YEAR				420,284
NET ASSETS - END OF YEAR				\$ 524,231

See Accompanying Notes to Financial Statements.

LIBERTY TOWNSHIP

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 90,048	\$ 200,783	\$ 290,831
Accounts Receivable	---	13,875	13,875
Taxes and Fees Receivable	---	---	---
Due from Other Governmental Units	62,774	---	62,774
Due from Other Funds	12,083	---	12,083
Inventories	---	---	---
Prepaid Expenditures	30,905	---	30,905
Special Assessments Receivable	---	537,082	537,082
TOTAL ASSETS	\$ 195,810	\$ 751,740	\$ 947,550
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 27,236	\$ 23	\$ 27,259
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	2,933	2,933
Due to Other Governmental Units	---	5,731	5,731
Deferred Revenue	---	537,082	537,082
TOTAL LIABILITIES	27,236	545,769	573,005
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	---	205,971	205,971
Unreserved and Undesignated	168,574	---	168,574
TOTAL FUND BALANCES	168,574	205,971	374,545
TOTAL LIABILITIES AND FUND BALANCES	\$ 195,810	\$ 751,740	\$ 947,550
TOTAL GOVERNMENTAL FUND BALANCES			\$ 374,545
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets			\$ 1,621,359
Accumulated Depreciation			<u>-632,026</u>
			989,333
Long-Term Liabilities are not due and payable in the current period and are not reported in the fund			
Long-term debt			-832,520
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			
			<u>-7,127</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 524,231

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	General	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUE			
Property Taxes	\$ 113,200	\$ ---	\$ 113,200
Special Assessments	---	80,709	80,709
State Grants	199,902	---	199,902
Permits and Licenses	10,494	32,265	42,759
Charges for Services	16,476	146	16,622
Interest	5,412	30,803	36,215
Other	18,869	48,293	67,162
TOTAL REVENUE	364,353	192,216	556,569
EXPENDITURES			
General Government	252,940	---	252,940
Public Safety	74,546	41,598	116,144
Public Works	9,429	84	9,513
Recreational and Cultural	---	---	---
Debt Service	50,000	16,631	66,631
Capital Outlay	---	94,979	94,979
TOTAL EXPENDITURES	386,915	153,292	540,207
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-22,562	38,924	16,362
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
Transfers to Other Governments	---	-66,339	-66,339
TOTAL OTHER FINANCING SOURCES <USES>	---	-66,339	-66,339
NET CHANGE IN FUND BALANCES	-22,562	-27,415	-49,977
FUND BALANCES - BEGINNING OF YEAR	191,136	233,386	424,522
FUND BALANCES - END OF YEAR	\$ 168,574	\$ 205,971	\$ 374,545

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2007****NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS** **\$ -49,977**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-85,701	
Capital Outlay	<u>118,837</u>	33,136

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 493
- Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 120,295
- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 103,947**

STATEMENT OF FIDUCIARY NET ASSETS**JUNE 30, 2007****ASSETS**

Cash	\$ 17,033
Investments	90,190
Accounts Receivable	<u>16,010</u>

TOTAL ASSETS	<u>\$ 123,233</u>
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LIABILITIES

Due to Other Funds	\$ 9,150
Due to Other Governments	<u>7,883</u>

TOTAL LIABILITIES	<u>\$ 17,033</u>
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NET ASSETS

Held in trust for pension benefits	<u>\$ 106,200</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Liberty Township covers an area of approximately 36 square miles located in Jackson County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its approximately 3,000 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Township currently uses the following Special Revenue Funds:

The *Building Department Fund* accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

NOTES TO FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

GOVERNMENTAL FUNDS (CONTINUED)

Special Revenue Funds (Continued)

The *Fire Equipment Fund* accounts for revenue set aside by the Township Board to finance the purchase of fire capital equipment. This revenue includes 2/3rd of the impact fee paid by a landfill located within the Township, grants, and transfers from the General Fund.

The *Central Complex Fund* accounts for 1/3rd of the impact fee paid by a landfill located within the Township. This money has been designated to finance the construction of a township hall/fire station complex in a location closer to the center of the Township.

The *Improvement Revolving Fund* accounts for all resources set aside for future capital improvements.

The *Sewer Fund* accounts for usage collections and distributions related to sewer activity maintained by other Townships.

Debt Retirement Funds – These funds are used to account for the accumulation of resources for, and for the payment of general long-term debt principal, interest and related costs. The Township maintains one debt retirement fund (the Sewer Fund) to retire the outstanding Jackson County Capital Lease indebtedness.

FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. The Township currently maintains the following fiduciary funds.

The *Pension Trust Fund* accounts for the activity of the Township's defined contribution retirement plan, which accumulates resources for retirement benefit payments to qualified Township employees.

The *Agency Funds – Current Tax and Employee Withholding Funds* account for assets held for other governments and individuals in an agency capacity.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31 and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Jackson County for collection and to be added to the delinquent tax rolls. Jackson County purchases all of the delinquent real property taxes of Liberty Township. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2006 were .7603 mills for operations. Total taxable value of real and personal property in the Township was \$104,427,610.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

NOTES TO FINANCIAL STATEMENTS

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains), are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value of the asset or materially extend its useful life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land and Improvements	10-20 years
Buildings and Additions	10-40 years
Vehicles	5-20 years
Fire Equipment	5-20 years
Office Equipment	5 years
Intangible assets	20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. PRIOR YEAR INFORMATION

Certain prior year information has been modified to match the format of the June 30, 2007 financial presentation.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS: The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks and one credit union.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC and FCUA)	\$ 169,940	\$ 169,940
Uninsured & Uncollateralized	137,924	168,387
Total Deposits	<u>\$ 307,864</u>	<u>\$ 338,327</u>

Differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCUMULATED FUND DEFICITS

There are no accumulated fund deficits.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2007, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	\$ 2,933	Building Department Fund	\$ 2,933
General Fund	6,129	Tax Collection Fund	6,129
General Fund	3,021	Employee Withholding Fund	3,021
	<u>\$ 12,083</u>		<u>\$ 12,083</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 52,863	\$ ---	\$ ---	\$ 52,863
<u>Capital Assets Being Depreciated</u>				
Land Improvements	\$ 48,722	\$ 17,450	\$ 5,000	\$ 61,172
Buildings And Improvements	218,039	---	---	218,039
Fire Equipment	149,467	4,111	19,940	133,638
Fire Vehicles	478,743	27,307	---	506,050
Office Equipment	40,208	1,269	6,630	34,847
Intangible Assets	546,050	68,700	---	614,750
Total Capital Assets Being Depreciated	<u>\$ 1,481,229</u>	<u>\$ 118,837</u>	<u>\$ 31,570</u>	<u>\$ 1,568,496</u>

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
<u>Accumulated Depreciation</u>				
Land Improvements	\$ 30,344	\$ 3,646	\$ 5,000	\$ 28,990
Buildings And Improvements	140,425	7,824	---	148,249
Fire Equipment	74,879	13,355	19,940	68,294
Fire Vehicles	148,023	24,941	---	172,964
Office Equipment	27,256	5,198	6,630	25,824
Intangible Assets	156,968	30,737	---	187,705
Total Accumulated Depreciation	577,895	85,701	31,570	632,026
Net Capital Assets Being Depreciated	903,334	33,136	---	936,470
Net Capital Assets	\$ 956,197	\$ 33,136	\$ ---	\$ 989,333

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended June 30, 2007, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
Fire Equipment Fund			
Capital Outlay	\$ 22,000	\$ 30,979	\$ 8,979
Administrative	---	30	30
Improvement Revolving Fund			
Capital Outlay	7,450	64,000	56,550
Sewer Fund			
Public Works	---	84	84

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

The Liberty Township Group Pension Plan is a single employer public employee retirement system that administers the Township's defined contribution pension plan for all full-time salaried or clerical employees.

The financial statements of the Plan are included as a fiduciary fund of the Township. The Township is the only contributor to the pension plan.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on investments of these contributions. Contributions by the Township vest immediately. The Township is required to contribute an amount equal to 11% of compensation. Contributions are not reduced by plan charges.

During the year, the Township's required and actual contributions amounted \$16,010, which was 11.0% of its current-year covered payroll.

Total payroll for the fiscal year ending June 30, 2007 was \$174,258 and total payroll subject to retirement benefits was \$145,545.

The pension plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year. The pension plan monies are invested in various mutual funds under the direction of the Principal Financial Group.

The Township has discontinued the retirement plan effective July 1, 2007, and is in the process of distributing all assets of the plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2007, no claims exist and no provision has been entered into the accounting records.

NOTE 10 – LONG-TERM DEBT

INSTALLMENT PURCHASE AGREEMENT

During 2005, the Township entered into an installment purchase agreement with the manufacturer of fire apparatus, which immediately sold the agreement to Comerica Bank. The Township financed \$75,000 of the purchase price of its fire apparatus. The terms of the agreement call for fixed quarterly principal and interest payments of \$4,157.84 for five years, with interest on the unpaid balance at 3.90%. The Township intends to finance this debt with future impact fees received from a landfill located within the township. This activity is reflected in the Fire Equipment Fund. The total balance outstanding at June 30, 2007 was \$46,821.26

Date	Rate	Payment Amount	Debt Service Requirements		Principal Balance	Fiscal Year
			Principal	Interest		
08/10/07	3.90%	\$ 4,157.84	\$ 3,691.19	\$ 466.65	\$ 43,130.08	
11/10/07	3.90%	4,157.84	3,727.98	429.86	39,402.10	
02/10/08	3.90%	4,157.84	3,765.13	392.71	35,656.97	
05/10/08	3.90%	4,157.84	3,810.38	347.46	31,826.59	06/30/08
		16,631.36	14,994.68	1,636.68		
08/10/08	3.90%	4,157.84	3,840.64	317.20	27,985.95	
11/10/08	3.90%	4,157.84	3,878.91	278.93	24,107.04	
02/10/09	3.90%	4,157.84	3,917.57	240.27	20,189.46	
05/10/09	3.90%	4,157.84	3,963.18	194.66	16,226.28	06/30/09
		16,631.36	15,600.30	1,031.06		
08/10/09	3.90%	4,157.84	3,996.11	161.73	12,230.17	
11/10/09	3.90%	4,157.84	4,035.95	121.89	8,194.22	
02/10/10	3.90%	4,157.84	4,076.17	81.67	4,118.05	
05/10/10	3.90%	4,157.75	4,118.05	39.70	\$ 0.00	06/30/10
		16,631.27	16,226.28	404.99		
TOTALS		\$ 49,893.99	\$ 46,821.26	\$ 3,072.73		

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT (CONTINUED)

CAPITAL LEASE PAYABLE

The Township, in joint arrangement with Hanover Township, has financed the construction of sewer disposal facilities through the County of Jackson, under capital lease obligations. The County has issued bonds and will supervise the construction of the facilities. The Townships lease the facilities, with semi-annual payments in amounts necessary to cover the County's debt service requirements on the underlying bonds.

The agreement covers the Round Lake/Farwell Lake sewer project and is accounted for in the Sewer Fund Debt Service Fund. This project entails parts of two townships. Liberty Township is responsible for 22.35% of the total construction bonds issued by the County (120 residential equivalent units of the 535 total in the project). This total, \$871,650, has been recognized, along with a deposit due from the County of Jackson. The Township will finance repayment of the lease through a special assessment levied upon benefiting property owners (see Note 11). The total outstanding balance of this lease was \$759,900 at June 30, 2007.

Date	Rate	Debt Service Requirements		Fiscal Year Total	Balance
		Principal	Interest		
06/30/06					\$ 759,900.00
10/01/07			\$ 13,724.30		
04/01/08	3.00%	\$ 55,875.00	13,724.30	\$ 83,323.60	704,025.00
10/01/08			12,866.17		
04/01/09	3.00%	50,287.50	12,866.17	76,019.84	653,737.50
10/01/09			12,131.86		
04/01/10	3.00%	50,287.50	12,131.86	74,551.22	603,450.00
10/01/10			11,377.55		
04/01/11	3.25%	50,287.50	11,377.55	73,042.60	553,162.50
10/01/11			10,560.28		
04/01/12	3.25%	50,287.50	10,560.28	71,408.06	502,875.00
10/01/12			9,743.20		
04/01/13	3.50%	50,287.50	9,743.20	69,773.90	452,587.50
10/01/13			8,863.17		
04/01/14	3.50%	50,287.50	8,863.17	68,013.84	402,300.00
10/01/14			7,983.14		
04/01/15	3.75%	50,287.50	7,983.14	66,253.78	352,012.50
10/01/15			7,040.25		
04/01/16	4.00%	50,287.50	7,040.25	64,368.00	301,725.00
10/01/16			6,034.50		
04/01/17	4.00%	50,287.50	6,034.50	62,356.50	251,437.50
10/01/17			5,028.75		
04/01/18	4.00%	50,287.50	5,028.75	60,345.00	201,150.00
10/01/18			4,023.00		
04/01/19	4.00%	50,287.50	4,023.00	58,333.50	150,862.50
10/01/19			3,017.25		
04/01/20	4.00%	50,287.50	3,017.25	56,322.00	100,575.00
10/01/20			2,011.50		
04/01/21	4.00%	50,287.50	2,011.50	54,310.50	50,287.50
10/01/21			1,005.75		
04/01/22	4.00%	50,287.50	1,005.75	52,299.00	---
		\$ 759,900.00	\$ 230,821.34	\$ 990,721.34	

TOWNSHIP ROAD AGREEMENTS

The Township currently is financing the grade and gravel and subsequent paving of a two-mile stretch of Vicary Road with the Jackson County Road Commission. There is no interest charged on this agreement. The Road Commission arranged the project funding so the Township owes \$50,000 annually (as this is the maximum amount for which the Road Commission will provide matching funds). This amount is billed in October. Under this agreement there was currently one installment of \$50,000 made in October 2006, and a final payment of \$25,799 due in October 2007. The total amount owed at June 30, 2007 was \$25,799.

The following is a summary of the Township's general long-term debt transactions for the year ended June 30, 2007.

	Balance 6/30/06	New Issues	Payments	Balance 6/30/07
Installment Purchase Agreement:				
2005 Fire Truck Purchase	\$ 61,241	\$ ---	\$ 14,420	\$ 46,821
Township Road Agreements	75,799	---	50,000	25,799
Capital Leases Payable				
Round/Farwell Lake	815,775	---	55,875	759,900
	<u>\$ 952,815</u>	<u>\$ ---</u>	<u>\$ 120,295</u>	<u>\$ 832,520</u>

The following is a summary of debt service principal requirements for the next five years.

	Fire Truck	Roads	Sewer Lease	Total
Year Ending June 30, 2008	\$ 14,995	\$ 25,799	\$ 55,875	\$ 96,669
2009	15,600	---	50,288	65,888
2010	16,226	---	50,287	66,513
2011	---	---	50,288	50,288
2012	---	---	50,287	50,287
2013 and thereafter	---	---	502,875	502,875
	<u>\$ 46,821</u>	<u>\$ 25,799</u>	<u>\$ 759,900</u>	<u>\$ 832,520</u>

LIBERTY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - SPECIAL ASSESSMENTS

A Special Assessment district has been established by the Township to collect monies for the payment of the Capital Lease for the Round Lake/Farwell Lake sewer project. The Township records all uncollected special assessments as deferred revenue. Interest is charged at 1% over the average bond rate.

Total Special Assessment	\$ 1,045,440
Amounts Collected - Prior Years	-491,649
Amounts Collected - Current Year	<u>-42,309</u>
Receivable/Deferred Revenue	<u><u>\$ 511,482</u></u>

A Special Assessment district has been established by the Township to collect monies for the paving of Morton Road. Interest is charged at 6%.

Total Special Assessment	\$ 64,000
Amounts collected - Prior Years	---
Amounts collected - Current Year	<u>38,400</u>
Receivable/Deferred Revenue	<u><u>\$ 25,600</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

LIBERTY TOWNSHIP

Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
REVENUE				
Property Taxes	\$ 112,053	\$ 112,053	\$ 113,200	\$ 1,147
State Revenue	207,723	207,723	199,902	-7,821
Permits and Licenses	8,700	8,700	10,494	1,794
Charges for Services	11,600	11,600	16,476	4,876
Interest	950	950	5,412	4,462
Other	2,700	2,700	18,869	16,169
Transfers In	46,319	46,319	---	-46,319
TOTAL REVENUE	390,045	390,045	364,353	-25,692
EXPENDITURES				
General Government	241,946	257,627	252,940	4,687
Public Safety	83,149	83,149	74,546	8,603
Public Works	6,950	11,650	9,429	2,221
Recreation and Culture	---	---	---	---
Debt Service	50,000	50,000	50,000	---
Capital Outlay	8,000	8,000	---	8,000
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	390,045	410,426	386,915	23,511
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	---	-20,381	-22,562	-2,181
BUDGETARY FUND BALANCE - JULY 1, 2006	191,136	191,136	191,136	---
BUDGETARY FUND BALANCE - JUNE 30, 2007	\$ 191,136	\$ 170,755	\$ 168,574	\$ -2,181

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

BALANCE SHEET**JUNE 30, 2007****ASSETS**

Cash	\$ 90,048
Accounts Receivable	---
Prepaid Expenses	30,905
Due from Other Governments	62,774
Due from Other Funds	12,083

TOTAL ASSETS	\$ 195,810
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ 27,236
Payroll Taxes Payable	---
Due to Other Funds	---
TOTAL LIABILITIES	27,236

FUND BALANCE

Reserved	---
Unreserved - Designated	---
Unreserved - Undesignated	168,574
TOTAL FUND BALANCE	168,574

TOTAL LIABILITIES AND FUND BALANCE	\$ 195,810
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**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Property Taxes			
Current Tax Levy	\$ 79,403	\$ 79,357	\$ -46
Administration Fees	29,000	30,485	1,485
Delinquent Personal Property Taxes	---	175	175
Penalties And Interest	3,400	2,971	-429
Trailer Park Taxes	250	212	-38
Total Property Taxes	112,053	113,200	1,147
Licenses And Permits			
Cable Vision Fees	7,300	9,794	2,494
Conditional Use And Variance Fees	1,400	700	-700
Total Licenses And Permits	8,700	10,494	1,794
State Revenue			
State Shared Revenue	203,523	195,184	-8,339
Metro Act	4,200	4,718	518
Total State Revenue	207,723	199,902	-7,821
Charges For Services			
Tax Collection Fee	6,900	6,838	-62
Cemetery Administrative Fee	100	80	-20
Grave Openings and Marker Bases	1,700	2,417	717
Cemetery lot sales	1,200	5,500	4,300
Fax and Information Requests	1,700	1,641	-59
Total Charges For Services	11,600	16,476	4,876
Interest	950	5,412	4,462
Facility Rental	1,200	980	-220
Other			
Miscellaneous	500	16,705	16,205
Refunds and Reimbursements	1,000	1,184	184
Total Other	1,500	17,889	16,389
Transfers In	46,319	---	-46,319
TOTAL REVENUE	\$ 390,045	\$ 364,353	\$ -25,692

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)**

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES			
General Government			
<u>Legislative Board</u>			
Salaries and wages - Board	\$ 3,600	\$ 3,990	\$ -390
Salaries and wages - Clerical	11,965	11,382	583
Payroll taxes	---	1,176	-1,176
Retirement	12,800	3,830	8,970
Office supplies	3,000	3,265	-265
Professional and contracted services	23,181	23,345	-164
Clean-up contracted services	1,600	4,446	-2,846
Mowing and snow removal	9,300	3,572	5,728
Repairs and maintenance	2,500	683	1,817
Conferences and workshops	1,000	640	360
Printing and publishing	3,500	2,850	650
Insurance and bonds	22,112	36,410	-14,298
Miscellaneous	---	---	---
Computer software and training	5,400	11,511	-6,111
Membership/dues/mileage	3,500	2,491	1,009
Newsletter	500	---	500
Total Legislative Board	103,958	109,591	-5,633
<u>Supervisor</u>			
Supervisor wages	10,428	10,428	---
Salaries and wages - other	30,420	18,645	11,775
Payroll taxes	3,023	2,134	889
Retirement	---	3,198	-3,198
Office Supplies	2,100	798	1,302
Memberships/dues/mileage	1,400	824	576
Conferences and workshops	1,400	536	864
Equipment	1,300	1,269	31
Total Supervisor	50,071	37,832	12,239
<u>Elections</u>			
Salaries and wages	3,000	4,990	-1,990
Payroll taxes	222	382	-160
Office supplies	600	896	-296
Professional fees	---	2,043	-2,043
Membership/dues/mileage	---	10	-10
Miscellaneous	200	61	139
Printing	350	725	-375
Total Elections	\$ 4,372	\$ 9,107	\$ -4,735

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<u>Board of Review</u>			
Salaries and wages	\$ 1,435	\$ 418	\$ 1,017
Payroll taxes	139	32	107
Professional Fees	---	698	-698
Printing	150	195	-45
Miscellaneous	100	30	70
Total Board of Review	1,824	1,373	451
<u>Clerk</u>			
Salaries and wages	23,984	23,488	496
Payroll taxes	1,775	1,784	-9
Retirement	---	2,584	-2,584
Office supplies	400	334	66
Memberships/dues/mileage	800	1,347	-547
Conferences and workshops	800	185	615
Equipment	500	---	500
Total Clerk	28,259	29,722	-1,463
<u>Treasurer</u>			
Salaries and wages	24,984	26,199	-1,215
Payroll taxes	464	827	-363
Retirement	---	2,882	-2,882
Office supplies	2,000	2,026	-26
Professional Fees	---	35	-35
Memberships/dues/mileage	600	126	474
Conferences and workshops	600	---	600
Equipment	100	---	100
Total Treasurer	28,748	32,095	-3,347
<u>Township Hall</u>			
Salaries and wages	2,600	2,250	350
Payroll taxes	---	172	-172
Retirement	---	248	-248
Utilities	3,700	3,627	73
Building maintenance	1,800	333	1,467
Equipment	400	---	400
Telephone/internet	2,200	1,869	331
Total Township Hall	\$ 10,700	\$ 8,499	\$ 2,201

**STATEMENT OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL (CONTINUED)**

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<u>Cemeteries</u>			
Salaries and wages	\$ 1,740	\$ 5,139	\$ -3,399
Payroll taxes	---	393	-393
Retirement	---	565	-565
Operating supplies	200	---	200
Contracted services	21,000	17,450	3,550
Mileage	225	---	225
Markers and bases	1,000	---	1,000
Repairs and maintenance	2,780	---	2,780
Total Cemeteries	26,945	23,547	3,398
<u>Masonic Lodge</u>			
Salaries and wages	200	---	200
Equipment	50	---	50
Utilities	1,500	1,124	376
Repairs and maintenance	1,000	50	950
Total Masonic Lodge	2,750	1,174	1,576
Total General Government	\$ 257,627	\$ 252,940	\$ 4,687
Public Safety			
<u>Fire Department</u>			
Salaries and wages	\$ 35,706	\$ 39,452	\$ -3,746
Payroll taxes	3,928	2,401	1,527
Retirement	---	4,340	-4,340
Education and training	3,000	2,304	696
Medical expense	2,000	264	1,736
Insurance	7,540	---	7,540
Telephone/internet	1,200	1,005	195
Memberships/dues/mileage	900	1,201	-301
Operating supplies	5,700	3,002	2,698
Utilities	2,750	2,495	255
Equipment maintenance	1,800	4,133	-2,333
Radio maintenance	700	2,431	1,731
Building maintenance	3,600	2,575	1,025
Vehicle maintenance	4,000	2,397	1,603
Total Fire Department	\$ 72,824	\$ 68,000	\$ 4,824

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
Public Safety (Continued)			
<u>Zoning and Planning</u>			
Salaries and Wages	\$ 8,025	\$ 5,055	\$ 2,970
Payroll Taxes	---	387	-387
Region 2 expenditures	1,500	784	716
Conferences and workshops	800	170	630
Printing and Publishing	---	---	---
Legal Fees	---	---	---
Supplies	---	150	-150
Total Zoning and Planning	10,325	6,546	3,779
Total Public Safety	\$ 83,149	\$ 74,546	\$ 8,603
Public Works			
<u>Street Lighting</u>	\$ 1,250	\$ 1,053	\$ 197
<u>Highways and Roads</u>			
Miscellaneous	6,200	4,023	2,177
Dust Control	4,200	4,353	-153
Debt Retirement	50,000	50,000	---
Total Highways and Roads	60,400	58,376	2,024
Total Public Works	\$ 61,650	\$ 59,429	\$ 2,221
Capital Outlay			
Township Hall	\$ ---	\$ ---	\$ ---
Fire Department	8,000	---	8,000
Total Capital Outlay	\$ 8,000	\$ ---	\$ 8,000
TOTAL EXPENDITURES	\$ 410,426	\$ 386,915	\$ 23,511

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2007

	Building Dept.	Fire Equip.	Central Complex	Improvement Revolving	Sewer Fund	Total
ASSETS						
Cash	\$ 22,673	\$ 20,746	\$ 120,221	\$ 31,319	\$ 5,824	\$ 200,783
Accounts Receivable	---	9,250	4,625	---	---	13,875
Taxes Receivable	---	---	---	---	---	---
Special Assessment Receivable	---	---	---	25,600	---	25,600
Due from Other Funds	---	---	---	---	---	---
TOTAL ASSETS	\$ 22,673	\$ 29,996	\$ 124,846	\$ 56,919	\$ 5,824	\$ 240,258
LIABILITIES AND FUNDBALANCES						
LIABILITIES						
Accounts Payable	\$ 23	\$ ---	\$ ---	\$ ---	\$ ---	\$ 23
Due to Other Governments	---	---	---	---	5,731	5,731
Due to Other Funds	2,933	---	---	---	---	2,933
Deferred Revenue	---	---	---	25,600	---	25,600
TOTAL LIABILITIES	2,956	---	124,846	25,600	5,731	34,287
FUND BALANCES	19,717	29,996	124,846	31,319	93	205,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,673	\$ 29,996	\$ 124,846	\$ 56,919	\$ 5,824	\$ 240,258

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2007

	Building Dept.	Fire Equip.	Central Complex	Improvement Revolving	Sewer Fund	Total
REVENUE						
Special Assessment	\$ --	\$ ---	\$ ---	\$ 38,400	\$ ---	\$ 38,400
Special Assessment Interest	---	---	---	80	---	80
Permits	32,265	---	---	---	---	32,265
State Grants	---	---	---	---	---	---
Interest Earned	350	1,284	4,106	922	31	6,693
Miscellaneous	2,380	---	---	---	---	2,380
Property Taxes	---	---	---	---	---	---
Impact Fee	---	30,609	15,304	---	---	45,913
Usage Fee	---	---	---	---	146	146
TOTAL REVENUE	34,995	31,893	19,410	39,402	177	125,877
EXPENDITURES						
Public Works	---	---	---	---	84	84
Public Safety	41,568	30	---	---	---	41,598
Recreation and Cultural	---	---	---	---	---	---
Debt Service	---	16,631	---	---	---	16,631
Capital Outlay	---	30,979	---	64,000	---	94,979
TOTAL EXPENDITURES	41,568	47,640	---	64,000	84	153,292
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-6,573	-15,747	19,410	-24,598	93	-27,415
TRANSFERS IN <OUT>	---	2	-2	---	---	---
FUND BALANCES - BEGINNING OF YEAR	26,290	45,741	105,438	55,917	---	233,386
FUND BALANCES - END OF YEAR	\$ 19,717	\$ 29,996	\$ 124,846	\$ 31,319	\$ 93	\$ 205,971

BUILDING DEPARTMENT FUND

BALANCE SHEET

JUNE 30, 2007

ASSETS

Cash	\$ 22,673
Accounts Receivable	---
Prepaid Expenses	---
TOTAL ASSETS	<u>\$ 22,673</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 23
Due to Other Funds	2,933
TOTAL LIABILITIES	<u>2,956</u>

FUND BALANCE

Reserved	---
Unreserved - Designated	19,717
TOTAL FUND BALANCE	<u>19,717</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 22,673</u>

BUILDING DEPARTMENT FUND

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Administrative Fee	\$ 10,500	\$ 7,400	\$ -3,100
Building Permits	13,475	11,165	-2,310
Electrical Permits	8,250	6,005	-2,245
Mechanical Permits	4,675	2,455	-2,220
Plumbing Permits	3,850	2,090	-1,760
Site Review Fee	3,200	3,150	-50
Interest	100	350	250
Miscellaneous	1,900	2,380	480
TOTAL REVENUE	45,950	34,995	-10,955
EXPENDITURES			
<u>Zoning Department</u>			
Fees	2,560	5,800	-3,240
Payroll Taxes	480	---	480
Office Supplies	50	---	50
Total Zoning Department	3,090	5,800	-2,710
<u>Building Inspection</u>			
Fees	13,137	14,494	-1,357
Administrative Assistant	6,006	5,088	918
Payroll Taxes	3,567	1,615	1,952
Office Supplies	500	480	20
Conferences and Workshops	400	746	-346
Software Tech	925	---	925
Total Building Inspection	24,535	22,423	2,112
<u>Electrical Inspection</u>			
Fees	7,512	5,493	2,019
Office Supplies	---	---	---
Conferences and Workshops	200	---	200
Other	---	---	---
Total Electrical Inspection	7,712	5,493	2,219

	Budget	Actual	Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
<u>Mechanical Inspection</u>			
Fees	\$ 4,587	\$ 2,265	\$ 2,322
Office Supplies	---	---	---
Conferences and Workshops	200	---	200
Other	---	---	---
Total Mechanical Inspection	4,787	2,265	2,522
<u>Plumbing Inspection</u>			
Fees	3,912	5,587	-1,675
Conferences and Workshops	200	---	200
Other	---	---	---
Total Plumbing Inspection	4,112	5,587	-1,475
TOTAL EXPENDITURES	44,236	41,568	2,668
EXCESS REVENUE OVER <UNDER> EXPENDITURES	1,714	-6,573	-8,287
TRANSFERS IN <OUT>	-10,000	---	10,000
FUND BALANCE -BEGINNING OF YEAR	26,290	26,290	---
FUND BALANCE - END OF YEAR	\$ 18,004	\$ 19,717	\$ 1,713

FIRE EQUIPMENT FUND**BALANCE SHEET****JUNE 30, 2007****ASSETS**

Cash	\$ 20,746
Accounts Receivable	9,250
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	\$ 29,996
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ ---
Due to Other Funds	---
TOTAL LIABILITIES	---

FUND BALANCE

Unreserved - Designated	29,996
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TOTAL LIABILITIES AND FUND BALANCE	\$ 29,996
---	------------------

FIRE EQUIPMENT FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	800	1,284	484
Impact Fee	30,666	30,609	-57
Miscellaneous	---	---	---
TOTAL REVENUE	31,466	31,893	427
EXPENDITURES			
Debt Service	16,632	16,631	1
Capital Outlay	22,000	30,979	-8,979
Administrative	---	30	-30
TOTAL EXPENDITURES	38,632	47,640	-9,008
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-7,166	-15,747	-8,581
TRANSFERS IN <OUT>	---	2	2
FUND BALANCE - BEGINNING OF YEAR	45,741	45,741	---
FUND BALANCE - END OF YEAR	\$ 38,575	\$ 29,996	\$ -8,579

CENTRAL COMPLEX FUND**BALANCE SHEET****JUNE 30, 2007****ASSETS**

Cash	\$ 120,221
Accounts Receivable	4,625
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	\$ 124,846
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ ---
Due to Other Funds	---
TOTAL LIABILITIES	---

FUND BALANCE

Unreserved - Designated	124,846
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TOTAL LIABILITIES AND FUND BALANCE	\$ 124,846
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CENTRAL COMPLEX FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	4,000	4,106	106
Impact Fee	15,333	15,304	-29
Miscellaneous	---	---	---
TOTAL REVENUE	19,333	19,410	77
EXPENDITURES			
Debt Service	---	---	---
Capital Outlay	---	---	---
Administrative	---	---	---
TOTAL EXPENDITURES	---	---	---
EXCESS REVENUE OVER EXPENDITURES	19,333	19,410	77
TRANSFERS IN <OUT>	---	-2	-2
FUND BALANCE - BEGINNING OF YEAR	105,438	105,438	---
FUND BALANCE - END OF YEAR	\$ 124,771	\$ 124,846	\$ 75

IMPROVEMENT REVOLVING FUND**BALANCE SHEET****JUNE 30, 2007****ASSETS**

Cash	\$ 31,319
Accounts Receivable	---
Taxes Receivable	---
Special Assessment Receivable	25,600
Due from Other Funds	---
TOTAL ASSETS	\$ 56,919

LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ ---
Due to Other Funds	---
Deferred Revenue	25,600
TOTAL LIABILITIES	25,600

FUND BALANCE

Unreserved - Designated	31,319
TOTAL LIABILITIES AND FUND BALANCE	\$ 56,919

IMPROVEMENT REVOLVING FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
Special Assessment	---	38,400	38,400
Special Assessment Interest	---	80	80
Interest Earned	900	922	22
Miscellaneous	---	---	---
TOTAL REVENUE	900	39,402	38,502
EXPENDITURES			
Capital Outlay	7,450	64,000	-56,550
TOTAL EXPENDITURES	7,450	64,000	-56,550
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-6,550	-24,598	-18,048
TRANSFERS IN	---	---	---
FUND BALANCE - BEGINNING OF YEAR	55,917	55,917	---
FUND BALANCE - END OF YEAR	\$ 49,367	\$ 31,319	\$ -18,048

SEWER FUND**BALANCE SHEET****JUNE 30, 2007****ASSETS**

Cash	\$ 5,824
Accounts Receivable	---
Taxes Receivable	---
Special Assessment Receivable	---
Due from Other Funds	---

TOTAL ASSETS\$ 5,824**LIABILITIES AND FUND BALANCE****LIABILITIES**

Accounts Payable	\$ ---
Due to Other Funds	---
Due to Other Governments	5,731
TOTAL LIABILITIES	<u>5,731</u>

FUND BALANCE

Unreserved - Designated	<u>93</u>
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TOTAL LIABILITIES AND FUND BALANCE\$ 5,824

SEWER FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Current Property Taxes - Real	\$ ---	\$ ---	\$ ---
Current Property Taxes - Personal	---	---	---
State Revenue	---	---	---
Interest Earned	---	31	31
Usage Fees	---	146	146
TOTAL REVENUE	---	177	177
EXPENDITURES			
Public Works	---	84	-84
Capital Outlay	---	---	---
TOTAL EXPENDITURES	---	84	-84
EXCESS REVENUE OVER <UNDER> EXPENDITURES	---	93	93
TRANSFERS IN	---	---	---
FUND BALANCE - BEGINNING OF YEAR	---	---	---
FUND BALANCE - END OF YEAR	\$ ---	\$ 93	\$ 93

DEBT SERVICE FUND

SEWER FUND**BALANCE SHEET****JUNE 30, 2007****ASSETS**

Cash	\$	---
Assessments Receivable		511,482
Taxes Receivable		---
Prepaid Expenses		---
Due from Other Funds		---

TOTAL ASSETS		\$ 511,482
---------------------	--	-------------------

LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$	---
Deferred Revenue		511,482
Due to Other Funds		---
TOTAL LIABILITIES		---

FUND BALANCE

Reserved		---
----------	--	-----

TOTAL LIABILITIES AND FUND BALANCE		\$ 511,482
---	--	-------------------

SEWER FUND**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****YEAR ENDED JUNE 30, 2007****REVENUE**

Current Property Taxes - Real	\$	---
Current Property Taxes - Personal		---
Special Assessments		42,309
State Revenue		---
Interest Earned		24,030
Miscellaneous		---

TOTAL REVENUE		66,339
----------------------	--	---------------

EXPENDITURES

Debt Service		---
Administrative		---
Transfers to Other Governments		66,339

TOTAL EXPENDITURES		66,339
---------------------------	--	---------------

EXCESS REVENUE OVER <UNDER> EXPENDITURES		---
---	--	------------

TRANSFERS IN		---
---------------------	--	------------

FUND BALANCE - BEGINNING OF YEAR		---
---	--	------------

FUND BALANCE - END OF YEAR	\$	---
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FIDUCIARY FUNDS

PENSION TRUST**STATEMENT OF NET ASSETS****JUNE 30, 2007****ASSETS**

Cash	\$	---
Investments		90,190
Accounts Receivable		16,010
		<u>106,200</u>

LIABILITIES

Due to Other Funds		---
Due to Other Governments		---
		<u>---</u>

NET ASSETS

Reserved		106,200
Unreserved		---
		<u>\$ 106,200</u>

PENSION TRUST**STATEMENT OF CHANGES IN NET ASSETS****YEAR ENDED JUNE 30, 2007****REVENUE**

Employer Contributions	\$	16,010
Employee Contributions		---
Investment Income		5,227
TOTAL REVENUE		<u>21,237</u>

EXPENSES

Administration		---
Benefits		11,370
Refunds		---
TOTAL EXPENSES		<u>11,370</u>

EXCESS OF REVENUE OVER EXPENSES **9,867****NET ASSETS - BEGINNING OF YEAR** **96,333****NET ASSETS - END OF YEAR** **\$ 106,200**

AGENCY FUNDS

BALANCE SHEET

JUNE 30, 2007

ASSETS	Employee Withholding Fund	Current Tax Fund	Total
Cash	\$ 3,128	\$ 1,520	\$ 17,033
LIABILITIES			
Due to Other Funds	\$ 3,021	\$ 6,129	\$ 9,150
Due to Other Governments	107	7,776	7,883
	\$ 3,128	\$ 13,905	\$ 17,033

EMPLOYEE WITHHOLDING FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2007

	7-01-06 Balance	Receipts	Disbursements	06-30-07 Balance
ASSETS				
Cash	\$ 2,375	\$ 34,227	\$ 33,474	\$ 3,128
Due From Other Funds	---	---	---	---
	\$ 2,375	\$ 34,227	\$ 33,474	\$ 3,128
LIABILITIES				
Due to General Fund	\$ ---	\$ 3,021	\$ ---	\$ 3,021
Due to Federal Government	2,375	27,520	29,778	107
Due to State Government	---	3,686	3,686	---
Due to Schools	---	---	---	---
Due to Other	---	---	---	---
	\$ 2,375	\$ 34,227	\$ 33,474	\$ 3,128

CURRENT TAX FUND**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****YEAR ENDED JUNE 30, 2007**

	7-01-06 Balance	Receipts	Disbursements	06-30-07 Balance
ASSETS				
Cash	\$ 1,520	\$ 3,014,913	\$ 3,002,528	\$ 13,905
LIABILITIES				
Due to General Fund	\$ 1,370	\$ 109,717	\$ 104,958	\$ 6,129
Due to Sewer Assessment	---	72,739	66,339	6,400
Due to County	150	1,393,599	1,393,098	651
Due to Schools	---	1,417,765	1,417,040	725
Due to Other	---	21,093	21,093	---
	\$ 1,520	\$ 3,014,913	\$ 3,002,528	\$ 13,905

CURRENT TAX FUND**STATEMENT OF RECEIPTS AND DISBURSEMENTS****YEAR ENDED JUNE 30, 2007****RECEIPTS**

Tax Collections	<u>\$ 3,014,913</u>
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DISBURSEMENTS

Township General Fund	\$ 104,958
Columbia Schools	114,281
Hanover-Horton Schools	494,387
Jackson Schools	8,415
North Adams Schools	11,828
Addison Schools	126
Lenawee ISD	1,270
Hillsdale ISD	3,292
Jackson ISD	783,441
Sewer Assessment	66,339
Jackson County	1,393,098
Other	21,093
	<u>\$ 3,002,528</u>

**3775 Kimmel Road
Horton, Michigan 49246**

**(517) 937-9333 Phone / 563-2552 Fax
Email: kldrake@voyager.net**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board
Township of Liberty

We have audited the financial statements of the governmental activities and each major fund of the Township of Liberty, as of and for the year ended June 30, 2007, which collectively comprise the Township of Liberty's basic financial statements and have issued our report thereon dated October 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Liberty's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Liberty's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Liberty's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Liberty's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Liberty's financial statements that is more than inconsequential will not be prevented or detected by the Township of Liberty's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Liberty's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Liberty's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, the Township Board, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake PC
Certified Public Accountant

October 17, 2007

Karl L. Drake, P.C.
Certified Public Accountant

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Board of Directors
Liberty Township
Clarklake, Michigan 49234

We have audited the financial statements of Liberty Township for the year ended June 30, 2007, and have issued our report thereon dated October 17, 2007. In planning and performing our audit of the financial statements, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure.

The management of Liberty Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded in accordance with United States generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Therefore, we have prepared the following comments and recommendations to communicate the results of our testing and observations, and to make suggestions to improve upon the existing internal control structure.

Control Deficiency

PENSION TRUST FUND ACCOUNTING PROCEDURES

Finding: Currently no general ledger is maintained for the Pension Trust Fund.

Recommendation: A General Ledger needs to be established using the software currently used for the other funds. This general ledger needs to be reconciled with the investment statements on a monthly or quarterly basis.

FINANCIAL TRAINING

Finding: Currently there is no one on staff with the training to complete financial statements in accordance with generally accepted accounting standards.

Recommendation: The Clerk or Treasurer need to attend continuing education events which will allow them to gain an understanding and stay current with accounting rules and pronouncements.

Other Matters for Consideration

FINANCIAL OVERVIEW

The Township finished the year in stable financial health. The General Fund finished the year with a Fund Balance of \$168,574. This was a decrease of \$22,562 from the prior year level. The Special Revenue funds finished as follows:

<u>Fund</u>	<u>Ending Fund Balance</u>	<u>Increase <Decrease></u>
Building Department Fund	\$ 19,717	\$ <6,573>
Fire Equipment Fund	29,996	<15,745>
Central Complex Fund	124,846	19,408
Improvement Revolving Fund	31,319	<24,598>
Sewer Fund	93	93

There are now two Sewer funds. The Farwell Lake/Round Lake activity is considered a debt retirement fund, because no operational activity is occurring in the fund. Its function, at this point, is to collect special assessment revenue and to pay bond payments. The second Sewer Fund is for collecting sewer usage fees related to the other sewer project.

CAPITAL LEASE PAYMENTS AND SPECIAL ASSESSMENTS

At June 30, 2007, the Township owed \$759,900 to Jackson County for the Farwell Lake/Round Lake sewer project. This debt is being paid with the collection of special assessments on the property owners involved in the project. Initially, special assessment collections were paid to Jackson County, who managed the construction of the sewer project. Currently, the monies are paid to Hanover Township, which has established a "Common Fund" to manage the debt repayment. The following is "my understanding" of the status of this project (Liberty Township information is as of June 30, 2007 and Hanover Township information is as of March 31, 2007).

	Liberty Township	Hanover Township	Total
Capital Lease Principal	\$ 759,000.00	\$ 2,640,100.00	\$ 3,399,100.00
Capital Lease Interest	230,821.34	802,076.00	1,032,897.34
Total Remaining Payments	989,821.34	3,442,176.00	4,431,997.34
Uncollected Special Assessments	511,482.23	2,070,628.00	2,582,110.23
Common Fund Resources	440.00	454.00	894.00
County Funds	11,314.60	50,624.60	61,939.20
Total Assets Available	523,236.83	2,121,706.60	2,644,943.43
Overage <Shortage>	\$ <466,584.51>	\$ <1,320,469.40>	\$ <1,787,053.91>

There will be interest received on the uncollected special assessments, which will off-set some of the above shortage. However, the remaining shortage will need to be funded with other revenue.

The above comments are intended for the use of the Board of Directors and management of Liberty Township. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,



Karl L. Drake, CPA